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REPORT OF THE SPECIAL COMMITTEE ON THE FINANCES OF THE AMERICAN ECONOMIC ASSOCIATION

In the spring of 1920 the financial outlook of the Association became so dubious that a special committee was appointed to consider the matter. Since that time, the situation has become distinctly worse. At the end of the year 1918 there was a small annual surplus, but in the year 1919 the deficit amounted to almost \$1700 and in the year 1920 it will amount to a little over \$2300. In order to pay our bills we have been compelled virtually to exhaust our balance at the bank.

The situation may be put succinctly as follows:

Between 1915 and 1920 our membership rose from 2444 to 2866 and our total income rose almost \$2000, namely from \$12,581 to over \$14,470. As against this growth in our revenues, our total expenses have increased by almost \$6000, namely, from \$10,921 in 1915 to \$16,726 in 1920.

The increase in the expenditures is due in part to the office expenses, such as salaries, postage, and the like; but in far greater part—over five-sixths—to the publication expenses. The office expenses increased from \$2853 in 1915 to \$3569 in 1920 or about \$700. The publication expenses, on the other hand, rose about \$5000. Of the publication expenses again, the overwhelming part was due to increased cost of paper and printing. The exact figures are set forth in detail in the appendix herewith.

The committee approached the subject first from the point of view of a possible decrease in expense. We have come to the conclusion that it would be unwise to make any pronounced change in the publications. It is possible somewhat to reduce the size of the *Proceedings* by including certain papers and perhaps even certain discussions in the regular numbers of the *Review*. It is furthermore possible, without any serious loss, slightly to reduce the total number of pages of the *Review*. We prefer, however, not to make any definite recommendation as to what is on the whole a doubtful policy, and content ourselves here with the suggestion that this matter be brought to the attention of the editorial committee.

At best, however, only a slight saving can be expected from this source. Inasmuch as there seems to be no immediate likelihood of any substantial reduction in the other office expenses, we are therefore confronted by the necessity of increasing the revenue rather than reducing expenses.

There are only three ways in which the revenue can be augmented: from the income of a permanent fund; from an increase in membership; or, from an advance in the membership dues.

It would, of course, be in every way desirable if a substantial endowment fund could be secured. We believe that such an endowment is by no means impossible of attainment if a careful and well-considered movement for this purpose were launched. But we think that at this particular juncture, when the country is confronted by a period of falling prices, the outlook would be unpropitious. While reserving this expedient for what we hope is not a very distant future, we cannot bring ourselves to recommend the adoption of this plan at present.

It is quite otherwise, however, with a campaign to increase membership. At various periods in our history a systematic campaign has been inaugurated with successful results. There is no reason why a new campaign should not promise even better results. In academic circles there are still

many of the younger members of the departments of economics and political science who are not members of the Association; and there is no reason why among more mature students, both undergraduate and graduate, a very large number should not be persuaded to join. Moreover, in non-academic circles, we have only to point to the success of systematic attempts to increase membership on somewhat modern and new lines that have been made by some of our sister associations. We believe, however, that the responsibility for such a drive to secure new members should not be put upon the Secretary. He is already quite fully occupied in attending to the current business of the Association. We believe that if a special committee of energetic and loyal members were appointed, for this express purpose, and with power to add to their numbers so that there would be a representative in every large university, as well as in every important non-university city, much could be accomplished. It is not at all unlikely that such a campaign would bring us within a comparatively short time at least several hundred new and permanent members.

Our first recommendation therefore is that the Association appoint a special committee of three on membership, with power to add to their numbers. We recommend that an appropriation not to exceed \$1000 for the year 1921 be made to cover the expenses of this committee and we recommend that this committee keep in close touch with the Secretary.

Even at best, however, it will be some time before the results of the work of this committee become apparent. It is necessary therefore to provide for an immediate replenishment of the depleted exchequer of the Association and to assure a surplus instead of a deficit.

In considering this aspect of the matter, we have been influenced by the above analysis of the expenses, showing that about two-fifths of the entire increase in the publication expenses has been due to the increase of the cost of paper. While we believe that the prices of paper will not soon revert to the pre-war level, we do look forward to a substantial fall in prices in the not distant future. We consider it not impossible that some of the other publication expenses may also suffer a reduction before very long. A part, therefore, of our difficulties is due to a temporary situation which will, in all likelihood, be relieved before very long; but another part is due to the more permanent changes in the general price level.

The exact weight to be attached to each of these considerations is difficult to determine. While we are convinced that a permanent addition to our revenues is imperative, we feel that a definite increase of the annual membership fee ought to be postponed until after it has become possible to estimate the weight of the more temporary factors. We have therefore decided to make at this point two recommendations.

In the first place, we recommend that voluntary contributions be invited from all our members, including our life members, the invitation to subscribe being accompanied by a succinct explanation embodying the above facts.

In the second place, we recommend that there be imposed upon each member (but not upon subscribing public libraries) an assessment of \$2.50 for the year 1921.

This assessment ought to be accompanied with a notice calling attention to the fact that if, as is hoped, the general price level and especially the price

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of paper should fall in the immediate future, the assessments for the succeeding years, or the incorporation of the assessment into the permanent annual dues, may be expected to be substantially reduced.

We are of the opinion that even though the assessment may slightly diminish our membership, the proceeds of the assessment, together with the yield of the voluntary contribution, will suffice to enable us to pay our current bills in 1921 and to reconstitute the permanent balance upon which we have been compelled to trench.

We further recommend that this matter be kept under advisement by the Executive Committee and that it be carefully considered in the autumn of 1921 so that a recommendation as to the definitive policy of the Association may be made at the 1921 meeting. If the expectations of the committee as to the price changes and as to the success of the membership committee are realized, it may become possible to finance the Association permanently with an increase of annual dues to \$6. If the membership committee should be successful in increasing the membership of the Association, it may even become possible to continue without any permanent increase in dues. On the other hand, if our expectations are not met, or if the situation should change in other respects, it may become necessary to increase dues to \$7.50, or even to a larger figure.

Inasmuch as we have recommended an attempt to secure new members, the question arises as to whether the efforts of the membership committee would be impeded or even frustrated by the imposition of an assessment. It is therefore recommended that the propriety of exempting from assessment new members secured during the year 1921 through the efforts of the membership committee be left to the committee on membership with power.

With the adoption of the recommendations mentioned above we may look forward to the immediate future without anxiety.

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APPENDIX

	1915	1920	Excess
Paper	\$ 874	\$1,910	\$1,036
Printing	2,820	6,237	3,417
Total Paper and Printing....	3,694	8,147	4,453
Total Publication Expenses....	8,063	13,157	5,094
Office Expenses	2,858	3,569	711
Total Expenses	10,921	16,726	5,805
Total Income	12,581	14,471	1,620
Surplus or Deficit	+1,660	-2,366
Deficit 1919—\$1,688.			
Membership	2,444	2,866	